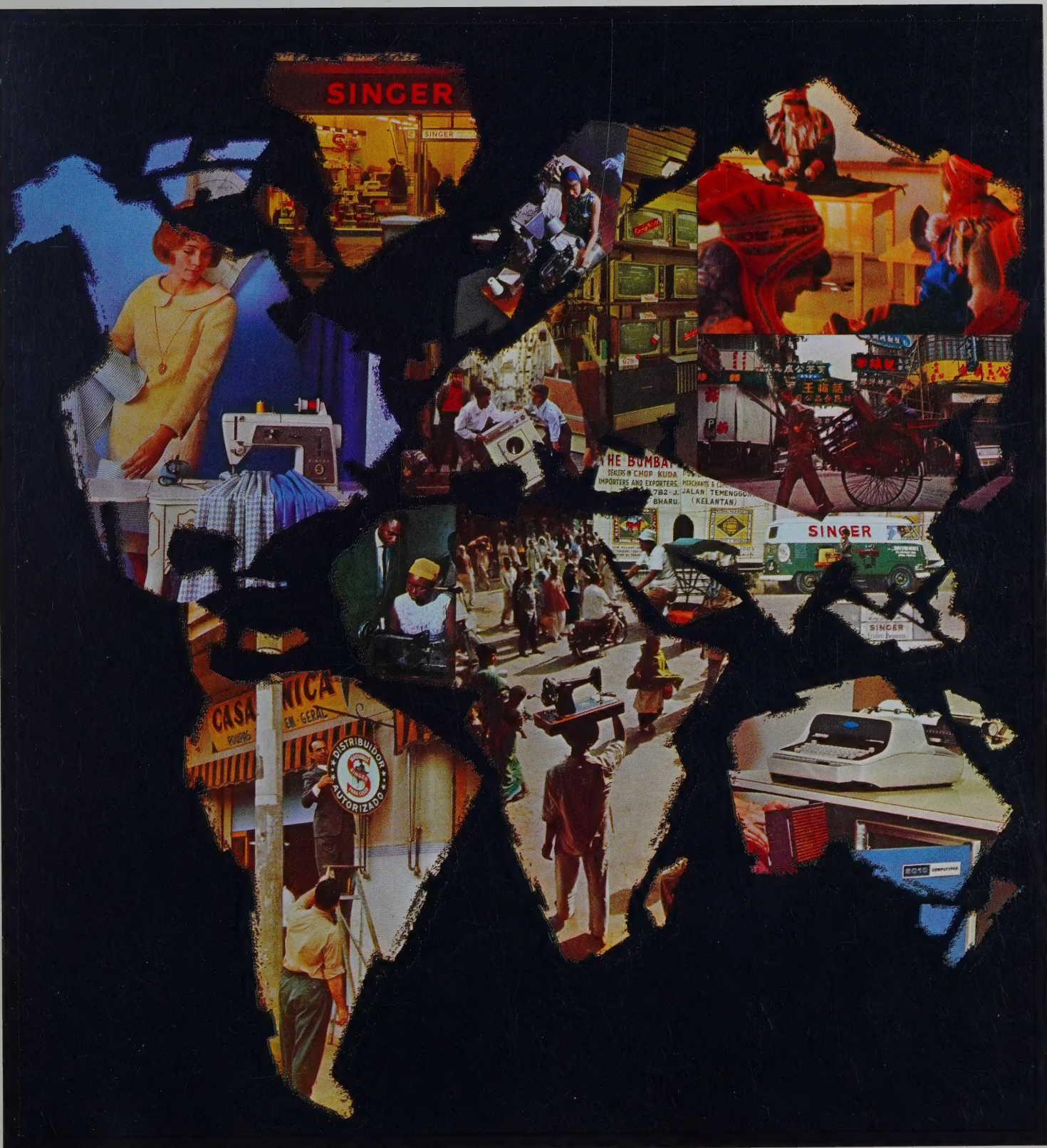




THE SINGER COMPANY

ANNUAL REPORT FOR 1964

30 Rockefeller Plaza, New York, N. Y. 10020

DIRECTORS

CHARLES F. BRUDER
STEPHEN C. CLARK, JR.
WALTER S. JOHNSON
H. NEAL KARR *ex clu*
DONALD P. KIRCHER
MILTON C. LIGHTNER
ARTHUR E. PETTIT
DONALD G. ROBBINS, JR.
PHILIP R. SAMWELL
ROBERT W. STEWART
JAMES A. TRAINOR
MAX L. WATERMAN

OFFICERS

DONALD P. KIRCHER, President
RALPH P. BENN, Vice President
CHARLES F. BRUDER, Vice President
HERBERT BURCHILL, Vice President
HAROLD R. CRAWFORD, Vice President
JOHN W. CULL, Vice President
ALFRED DI SCIPIO, Vice President
GEORGE A. DOWNSBROUGH, Vice President
ALAN W. DREW, Vice President
DAVID A. GRAESSER, Vice President
EDWIN J. GRAF, Vice President
LAWRENCE E. HOUGH, Vice President
H. NEAL KARR, Vice President *ex clu*
HENRY W. MANVILLE, Vice President
DONALD G. ROBBINS, JR., Vice President
ELLIOTT E. VOSE, Vice President
NEWTON H. HOYT, JR., Treasurer
DONALD D. MARSDEN, Controller
LOUIS L. PETTIT, Secretary

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ANNUAL MEETING

The Annual Meeting of Shareholders of the Company will be held at the Mark Hopkins Hotel, 999 California Street, San Francisco, California on Thursday, April 29 at 10:30 a.m.

TRANSFER AGENTS

Bankers Trust Company, New York, N. Y.
Crocker-Citizens National Bank, San Francisco, Calif.
Registrar and Transfer Company, Jersey City, N. J.

REGISTRARS

Morgan Guaranty Trust Company of New York, New York, N.Y.
Commercial Trust Company of New Jersey, Jersey City, N. J.
The Bank of California National Association,
San Francisco, California

Financial Highlights

	<u>1964</u>	<u>1963</u>
Net sales	\$896,239,000	\$790,188,000
Total revenue	904,359,000	800,082,000
Net income	46,494,000	41,543,000
Per share	4.19	3.75
Extraordinary income	6,337,000	—
Per share	.57	—
Cash dividends	22,174,000	17,155,000
Per share	2.00	1.70*
Shareholders' equity	426,354,000	402,025,000
Per share	38.42	36.29
Working capital	388,885,000	358,814,000
Current ratio	2.6	2.8
Property, plant and equipment—net . .	142,554,000	151,769,000
Number of shareholders at year end	27,971	22,252
Average shares outstanding	11,097,074	11,079,185

* Dividends paid by Friden, Inc. prior to merger are not reflected.

President's Letter to Shareholders



The Company's business continued to grow at a reasonably satisfactory pace in 1964, with sales and net income increasing for the sixth consecutive year and attaining the highest levels in the Company's history. Consolidated sales totaled \$896.2 million, an increase of \$106 million or 13 per cent over 1963. Total revenue was \$904.4 million. Net income for the year was \$46.5 million, or \$4.19 per share, an increase of 12 per cent over 1963 net income of \$41.5 million, or \$3.75 per share. In addition, the Company realized in 1964 extraordinary income of \$6.3 million, equal to 57 cents per share, from the after-tax gain on the sale of its timberland properties in South Carolina, and the sale of its interest in Thurso Pulp and Paper Company and certain other associated properties in the Thurso area of the Province of Quebec. No extraordinary income was realized in 1963.

The large increase in sales was well distributed both geographically and among major product lines. Sales increased by good percentages in all major geographical areas. In total, foreign sales increased by 14.6 per cent and those in the United States by 12 per cent. Foreign sales ac-

counted for 54 per cent of consolidated sales as against 53.5 per cent in 1963.

Sales of all major product lines increased. Sewing machines and related products and services accounted for \$513.7 million, an increase of 3.6 per cent. Volume in all other products and services increased by 29.9 per cent and reached a total for the year of \$382.5 million, or 42.7 per cent of sales. About 13 per cent of total sales comprised Friden business machine products, 17.3 per cent consumer products other than sewing products, and 12.4 per cent other industrial products.

A number of factors limited the growth in earnings in 1964. The rapid expansion in sales of products other than sewing equipment through our existing distribution system and marketing outlets entailed heavy expense of a start-up and promotional nature. In addition, there were nonrecurring expenses associated with recent acquisitions. In the case of Friden there were large start-up costs in connection with the new and highly successful electronic calculator and other new products introduced during the year, as well as greatly increased research and development expenditures. Operations of the Metrics Division were unsatisfactory and resulted early in the current year in many changes designed to improve results in 1965. Interest expense increased significantly. Net foreign exchange losses, which are taken directly as a charge to earnings, were significantly larger than in the previous year, principally in Brazil and certain other Latin American countries. Offsetting these factors to some degree was a reduction in Federal and foreign income taxes, partly as a result of the reduced U.S. corporate tax rate and a higher mix of income in foreign countries taxable at rates lower than those of the United States. There has also been improvement in the administration of our worldwide tax affairs.

Five acquisitions were completed in 1964:

- KLH Research & Development Corp. of Cambridge, Massachusetts, a manufacturer and distributor of superior quality high-fidelity components, stereo phonographs, FM radios, and related products.
- Gertsch Products, Inc. of Los Angeles, California, a manufacturer and distributor of electronic test instruments.
- Domowatt S.p.A. of Leini, Italy, a manufacturer of household refrigerators.
- Remington Corporation of Auburn, New York, a manufacturer and distributor of specialized air conditioning equipment and dehumidifiers.
- Empire Electric Corp. of Lakeville, Indiana, and Wirekraft, Inc. of Rolling Prairie, Indiana, producers and distributors of electrical resistance heating devices and components.

Although none of these acquisitions was a major one in terms of size, each fitted well into an area of activity in which the Company already had an interest and complemented our existing operations in that area. Our acquisition program continues to be quite active and we expect to complete further acquisitions in 1965.

As has been true for the last several years, Singer operations produced a very large net inflow of dollars for the United States, exceeding \$35 million in 1964. The 1964 net inflow was significantly and favorably affected as a consequence of the sale of the Thurso properties already mentioned. The continuing large net contribution which our Company's operations make to the country's balance of international payments is of even greater importance cur-

rently in view of the efforts being made by the Administration to bring the nation's international accounts into balance. We are, of course, participating fully in the voluntary program recently adopted by the Administration in this connection. In fact, for the last several years we have endeavored to increase our contribution well in advance of the adoption of any formal program to this end by the Federal Government. As a large component of our total net favorable balance of payments, the Company has consistently exported from this country substantially more than it has imported. This is particularly significant in view of the fact that the largest single area of our activity, the household sewing machine business, is for the United States generally an import-heavy industry.

The year was one of change in significant aspects of our corporate structure and in new assignments of executive responsibility. In June there was established an Industrial Products Division with worldwide line responsibility for product development, manufacture, U.S. marketing, and foreign distribution of industrial sewing machines and related equipment. Donald G. Robbins, Jr., formerly Vice President and Treasurer, was appointed Vice President in charge of this new Division. Concurrently, a Technical Products Division was formed with responsibility for the Company's activity in advanced technological and scientific fields. Dr. George A. Downsborough, who has had broad experience in the instrumentation field, was employed on February 1, 1965 as Vice President in charge of the Technical Products Division. Alan W. Drew, previously Vice President and Controller, was given charge of the Special Products Division with responsibility for the Company's activities in the textile machinery and certain consumer electrical products fields.

In September Robert W. Stewart, Vice President in charge of Research and Development since 1960, retired after 36 years service and was succeeded by David A. Graesser. Edwin J. Graf was employed by the Company as a Vice President in the Manufacturing Division in August and is currently serving as Managing Director of The Singer Manufacturing Company, Ltd. in Scotland. Following the reassignment of Messrs. Robbins and Drew, Newton H. Hoyt, Jr. was appointed Treasurer of the Company and Donald D. Marsden, Controller. Late in the year Louis L. Pettit was appointed Secretary of the Company replacing Warren I. Titus, Jr. who was transferred to the Far East Division as an Assistant Vice President.

At year end the new position of Vice President for Product Policy was created and Herbert Burchill, Vice President in charge of the European Division, was selected for this office with responsibility for ensuring that new and improved household sewing machines and related equipment are developed, produced and distributed to marketing organizations throughout the world. The new office will bring an increased degree of central direction and co-ordination to our global household sewing machine business. Mr. Burchill was succeeded in his European post by Ralph P. Benn who had previously been Vice President in charge of Canadian operations. H. Neal Karr was appointed Vice President in charge of the Canadian Division.

Rapid expansion of the Company into new areas of activity has required increased emphasis on the selection, evaluation and development of personnel for future managerial responsibilities, and this program is moving ahead satisfactorily. It is the Company's long established policy to provide employees with the opportunity to develop their skills and talents to the limit of their abilities without regard to color,

creed, sex, or national origin, and the same policy is fully observed in respect to the recruitment of new employees.

At the end of 1964 the number of shareholders was nearly 28,000, a 26 per cent increase during the year, which was attributable largely to purchases of stock by employees under the 1962 Employees Stock Purchase Plan and the effect of a secondary offering of 600,000 Singer shares in June by Clark family interests and certain charitable foundations.

As shareholders were advised by special letter in January, the 1965 Annual Meeting of Shareholders will be held in San Francisco on April 29. As a result of the Friden merger, we have a large number of shareholders resident on the West Coast. This will be the first Annual Meeting to be held outside the New York area.

The quarterly dividend was increased in the first quarter of 1964 from 42½ cents per share to 50 cents and was increased again to 55 cents per share in the first quarter of 1965. The quarterly dividend has thus been doubled since 1959.

The management of the Company is confident of further growth in sales and earnings in the current year.



President

March 19, 1965





The new "Power Master" canister vacuum cleaner was introduced in 1964. Other Singer floor-care equipment includes upright and hand vacuum cleaners, and floor polishers.

Singer retail outlets in the United States now sell an attractive line of home entertainment equipment which includes battery-operated phonographs, stereophonic systems and six-inch portable television sets.

CONSUMER PRODUCTS—UNITED STATES

Sales of consumer products in the United States rose about nine per cent to a record level in 1964. Earnings from this important part of our business rose more rapidly than sales. New products introduced during the year, particularly in the sewing and home entertainment fields, and improvement in the quality and efficiency of our distribution and retailing network were major factors in the improved financial results.

Efforts were concentrated in five basic market areas: sewing products and accessories, including fabrics; home entertainment equipment; floor-care equipment; portable typewriters; and mail order catalogs and merchandise. Special attention was devoted to solidifying our position in these five areas and establishing a sound base in each from which to launch further growth. This involved adding important new products, such as portable battery-operated phonographs, television sets, and stereophonic systems, and closing out others which were tested without sufficient success to justify their continuation.

In household sewing machines and related merchandise, dollar volume was higher despite a small decrease in unit sales. The "Touch & Sew" line of machines, produced in the United States and launched last Spring with a large and effective advertising and promotional campaign, proved successful, accounting for 39 per cent of unit sales and half of the value of total sewing machine sales. Both unit and dollar sales of the medium-priced machines produced in Scotland were higher, but sales of low-priced straight stitch machines declined. Thus we suc-

The sale of fabrics in Singer Centers attracts women interested in home sewing, and aids in the sale of sewing machines.



ceeded in maintaining Singer's pre-eminent position in the market for better, high-performance, high-quality sewing machines but lost some ground at the low end of the line.

Our fabrics business grew substantially in 1964. Fabrics are now sold in more than 500 of our U.S. stores, and with the introduction during 1965 of new fabrics produced expressly for Singer, our sales of yard goods should continue to increase. Fabrics are profitable in their own right and have the additional merit of building productive customer traffic in our stores.

The sale of home entertainment products—radios and television sets, phonographs and records, tape recorders, and high fidelity components—was first undertaken in 1962. In 1964 sales of these products exceeded \$15 million. This includes home entertainment products sold in Singer retail outlets, including Magnavox equipment in approximately 300 shops, mail order sales and KLH products. KLH, which was acquired early in 1964, produces certain equipment for sale under the Singer name, but the bulk of its volume in 1964 was in KLH-brand products sold through more than 600 independent dealers. KLH enjoys an outstanding reputation in its field as a designer and manufacturer of loudspeakers, high-fidelity components, and fully transistorized stereo phonographs of high quality.

In floor-care equipment—vacuum cleaners, floor polishers and related products—volume was down slightly in 1964. Our objective is to reverse a downward trend in sales while retaining the profitability currently enjoyed. To this end, a completely new line of vacuum cleaners and

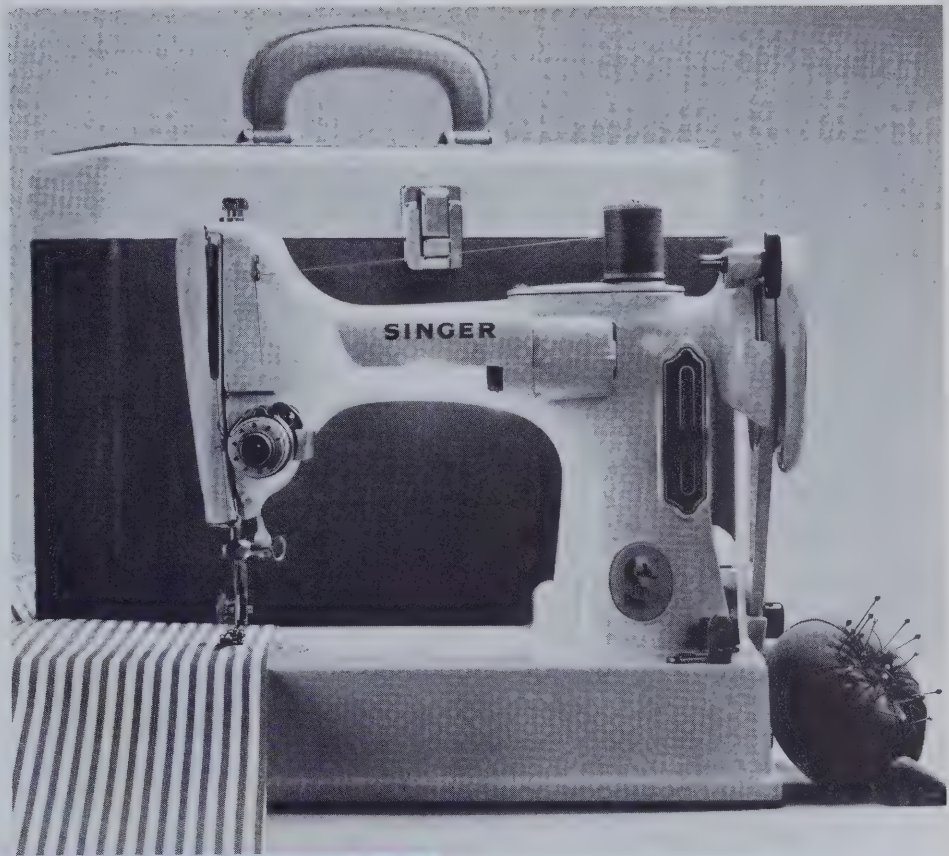
some floor polishers designed and produced at our factory in Anderson, South Carolina, will be introduced in 1965.

Our present line of typewriters is limited to three portable models sold in all our U.S. retail outlets. During the year we began test marketing of an electric portable typewriter in selected areas. Test results have been encouraging and we plan to broaden distribution of this new unit. In addition, we are surveying the entire present and potential market for "business machines for the home" to determine opportunities for profitably expanding our foothold in this field.

Our participation in the enormous U.S. mail order business has produced a respectable volume of sales, with Singer catalogs now available in more than 1,200 Singer Centers. However, this operation after four years has not yet reached the break-even point, and we must evolve an operating plan that will make this business adequately profitable if we are to continue to participate in this rapidly growing phase of retailing.

At year end 1,910 retail outlets were in operation, of which 68 were leased operations in major department stores, 373 were dealerships and the remaining 1,469 were Singer Centers. During the year 140 new outlets were opened and 168 outlets were closed.

In July of 1964 a final decree was entered in the Federal District Court in the civil anti-trust action which had been brought against the Company by the Justice Department in 1959. The decree directed that, upon request, Singer license at reasonable royalties the five patents relating to certain multiple cam zig-zag



The ever-popular Featherweight portable has recently been restyled and is now available in all of the Company's 1,910 U.S. retail outlets.



In its first year the Singer Exhibit Center at the New York World's Fair drew two and a half million visitors who purchased over \$1,000,000 in merchandise.

household sewing machines which were involved in the litigation. Negotiations are currently being conducted with various interested parties with respect to the licensing of such patents. It is not possible at this time to estimate the amount of Singer's liability, if any, to claimants or potential claimants arising out of the decision in the anti-trust suit. We believe that claims will be disallowed, settled or otherwise disposed of on a basis that will have no significantly adverse effect upon the financial position of the Company or its business.

INDUSTRIAL SEWING EQUIPMENT

In 1964 worldwide sales of industrial sewing machines and allied equipment were eight per cent ahead of the previous year. However costs increased at a faster rate than sales. In part, this was attributable to launching costs in connection with several new models which were brought to market late in the year. Among the more important of these were a general purpose high-speed single needle lockstitch machine and a new high-speed overedging machine both produced in Scotland. Earlier in the year, a highly versatile industrial zig-zag machine produced in Germany was successfully introduced.

The development of advanced automatic and semi-automatic work handling and stitching equipment for the apparel industry at Mechanized Systems Departments in Denville, New Jersey, and Leeds, England, received special emphasis and during the year several important new systems were introduced. Although still relatively small, sales of this type of equipment are growing rapidly and should account for a

substantial portion of our total industrial equipment volume in the future.

Our line of non-stitching equipment for the apparel industry was augmented during the year by the addition of special heat treating equipment used in the production of permanent-crease garments. The most important component of this equipment is the oven produced by the Company's Cobble Division.

National distribution of replacement parts through an automated facility in Murfreesboro, Tennessee, has enabled us to render faster and more efficient service to our U.S. customers and on the strength of its outstanding success, similar distribution systems are planned for some other large countries.

As noted elsewhere in this report, a major reorganization, centralizing responsibility for worldwide development, manufacture and distribution of industrial sewing machines and allied equipment within a single integrated operating unit was effected during the latter half of the year. This will enable us to scrutinize and control every phase in the development of new products from initial concept to installation in the customer's factory and to develop integrated marketing plans, policies and programs specifically designed to meet the needs of the highly complex worldwide industry which we serve.

With the benefits accruing from these organizational changes, with several new types of equipment scheduled for introduction, with increased production of certain types of machines and parts which were in short supply in 1964, and with continued economic buoyancy within the apparel industry in the United States and

most of Europe, our sales and earnings in the industrial sewing equipment field should show satisfactory growth in 1965.

SPECIAL PRODUCTS

Sales of special products, which include textile machinery, power tools and floor-care equipment, exceeded \$45 million in 1964, an increase of eight per cent over the previous year.

Through our Cobble, Fidelity, and Supreme Machinery Divisions, we have a strong position in the non-woven textile machinery industry. The equipment produced by these three divisions is utilized by separate segments of the textile industry, and operating results of the respective divisions varied considerably in 1964.

Cobble, which produces tufting and textile finishing equipment for the carpet and pile fabric industries, enjoyed excellent business with sales attaining record levels for the third consecutive year. In order to ensure continuation of its dynamic growth pattern, this Division is expanding certain of its present activities and diversifying into the manufacture of other types of industrial equipment. During 1964 a machine for production of terry cloth utilizing the tufting process was developed for manufacture and sale in the United States and a new machine for printing carpets was developed and put into production at the Cobble factory in Blackburn, England. In addition, shrink film machinery for use in the packaging of food products, toys, dry goods and other consumer products was developed at the Chattanooga plant for introduction this Spring.

The Fidelity Division, which makes knitting machinery used primarily in the man-



An encouraging trend toward modernization of production equipment is evident in the apparel industry. This installation of Singer sequential buttonholers is at Gant Shirtmakers in New Haven, Connecticut.

Carpets, knit dresses, seamless hosiery and tufted bedspreads are but a few of the items produced on Singer textile machinery.



ufacture of hosiery, had a poor first half but later in the year a substantial improvement in sales was achieved. In September Fidelity secured the U.S. rights to manufacture and sell a new hosiery packaging machine developed in France.

Sales of the Supreme Machinery Division, which manufactures knitting equipment for the apparel industry, increased sharply due to higher sales in Europe of U.S. made circular knitting machines and the first full year of sales of flat bed machines produced by a German subsidiary acquired late in 1963.

Late in the year a Textile Machinery Laboratory was established in Chattanooga to serve all of the Company's textile machinery units through the development of new and improved types of equipment for the production and finishing of non-woven fabrics.

Portable electric power tools are manufactured at Pickens, South Carolina. Several new tools were added to this line during the year. It now includes 49 different models, all sold by Sears, Roebuck & Co., principally under the Craftsman label.

Small universal electric motors and floor-care equipment are the principal products of the plant in Anderson, South Carolina. In 1964 production of two new upright vacuum cleaners was begun for private label distribution and a number of small specialty electric motors for household appliances and for business machines were placed in production for sale to outside customers.

TECHNICAL PRODUCTS

The Company's line of technical products and services includes a wide variety of

electronic and electro-mechanical systems, components and applications developed, manufactured and sold by the Metrics and Diehl Divisions and HRB-Singer, Inc. Sales of such products and services exceeded \$36 million in 1964, a gain of eleven per cent over the previous year.

Sales of HRB-Singer, which is primarily a government defense contractor supplying systems management and systems equipment in the field of intelligence and reconnaissance, were at about the level of the previous year. However, new orders increased 70 per cent. The increase in backlog includes a large contract from the Department of Defense for infrared reconnaissance systems which establishes HRB as a leader in this field.

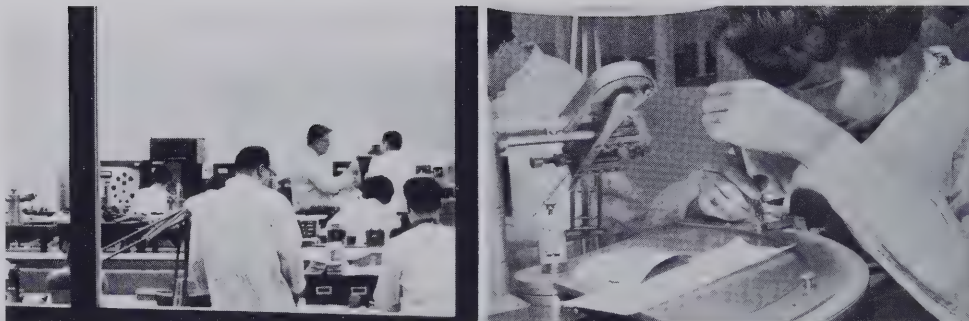
The Metrics Division, which produces laboratory and field test measuring instruments, broadened its participation in the instrumentation field through the acquisition in April, 1964 of Gertsch Products, Inc. of Los Angeles, a leading manufacturer of frequency meters, ratio bridges, standards receivers, voltage dividers and synchro and resolver test instruments for commercial, industrial, and military use. Gertsch operations have remained in Los Angeles and supplement Metrics' principal manufacturing and research facilities which are located on the East Coast in Bridgeport, Connecticut. In 1964, its second full year as a consolidated operating entity, the Metrics Division recorded a satisfactory increase in sales, but its operations were not profitable. Sweeping organizational and other changes were made early in the current year. Since February 1, Dr. George A.



One hundred fifty Singer hosiery machines, manufactured by the Fidelity Division, are in operation at the Valfor Knitting Mill in Valdese, North Carolina.

In the manufacture of instrumentation, accuracies as great as one part in a million require that production be carried on in the controlled environment of a "clean room."

Many employees previously engaged in sewing machine production at Bridgeport, Connecticut, have been retrained for precision instrument assembly operations.



The Model SPA-4a Microwave Spectrum Analyzer, used here for pulsed signal analysis, is one of more than 300 instruments for measurement manufactured and sold by the Metrics Division.



Downsbrough, Vice President of the Technical Products Division, has also been serving as General Manager of the Metrics Division.

During 1964 the Diehl Division, which supplies specialized motors for industrial sewing machines, textile equipment and instrumentation, expanded its activity in the field of control, sensing and actuation. With a new management team since mid-year, considerable progress has been made in the development of new product lines, several of which will be introduced in 1965.

EUROPE

During 1964 one out of every hundred European households purchased a major product from Singer. This helped us to increase our European Division sales to more than \$200 million, a 12 per cent gain over the previous year. There was a substantial increase in sales of refrigerators, washing machines, kitchen ranges and other consumer products which accounted for 28 per cent of sales.

In general, the rates of economic growth of the principal European countries declined somewhat during 1964 from the very high levels which had prevailed for a number of years. Consumer purchasing power was restricted in Italy as that country endeavored to deal with inflation and a weakening currency. In Great Britain sterling was under pressure toward the end of the year as a result of a worsening deficit in the Country's international payments and a heavy surtax on imports was imposed. In the other countries of Europe, there was increasing concern with respect to inflationary tendencies in their econo-

mies. Several countries, notably Germany and the Scandinavian countries, continued to grow economically at high rates.

Against this economic background, sales volume in the territory as a whole increased by a large amount but profit margins were lower. This was partly the result of increased selling expense and lower margins on non-sewing products manufactured by others. The desirability of producing all high-volume goods in our own facilities has long been recognized. Our continued efforts to establish suitable sources of supply resulted in the acquisition in April 1964 of Domowatt S.p.A., an Italian producer of refrigerators. Since that time, Domowatt's output has been increased and its product line expanded so that by the end of 1965 it should be filling a large portion of our sales requirements for refrigerators throughout Europe. The production of home laundry equipment by Domowatt will follow in 1966. Additional acquisitions of other producers of major household appliances are under consideration.

In Great Britain our business was relatively untroubled by economic and fiscal difficulties at the national level in the first three quarters and our program for re-locating and modernizing retail outlets moved forward on schedule. At year end 136 Sewing Centres and 339 Home Appliance Centres were in operation in the United Kingdom. The actions taken by the Government in the last quarter to deal with the sterling crisis had an adverse effect upon our business, a condition which has continued in the current year.

Sales volume in France reached the highest level in the Company's history in



spite of government price and credit controls designed to retard inflation. A large part of the increase was in sales of refrigerators, washing machines, television sets, and other non-sewing products which accounted for more than 43 per cent of total volume.

In Germany the number of retail outlets known as Electro-Centers was increased. They carry a broad line of smaller household appliances in addition to major Singer products. Although business conditions were good in Germany throughout the year, the manpower shortage continued and our sales organization is still understaffed. Operating results improved over the prior year but have not yet reached satisfactory levels.

Severe restrictions on credit hindered our business in Italy where about 60 per cent of our sales are on the instalment plan. Mandatory wage increases and a slowdown in industrial activity in Northern Italy further handicapped our efforts to equal the outstanding sales and earnings records established in 1963. The short-term outlook for our business in Italy is not especially promising but we expect improvement in the latter half of 1965.

Results in the Scandinavian and Benelux countries were mixed, characterized by a moderate increase in over-all sales but lower profit margins. The sale of fabrics as a natural adjunct to our other sewing products made an encouraging start in Norway and Sweden and should in future years make a significant contribution to sales and earnings.

As noted in last year's report, we have undertaken the distribution of Friden equipment through the Singer marketing

organization in Greece, Cyprus and Portugal and personnel are being trained for that task at the Friden Education Center in Holland.

Our main objective in Europe in 1965 is the reversal of the 1964 trend of declining margins.

AFRICA AND THE NEAR EAST

Despite social and political unrest with serious economic consequences in several of the emerging nations, our over-all operating results in the 41 countries of Africa and the Near East in which we do business continued to improve with a 17 per cent increase in sales and a somewhat greater increase in earnings. Contributing importantly to the improvement was a significant increase in sales of products unrelated to sewing. At the same time, sewing machine volume was up about five per cent over the prior year. As a means of reducing currency devaluation risks and financing growing instalment sales there was a sizeable increase in local borrowing with consequent increased interest expense. Such borrowing is regarded as a practical necessity under the circumstances which prevail.

A major effort is under way to increase sales of Friden equipment in this territory through broader distribution in potentially important business machine markets. During the year, 42 technicians were trained in the sale and service of this type of equipment at a school established for the purpose in Beirut. The benefits of this training program will become evident in 1965.

Factories in Turkey, Nigeria and South Africa continued to produce at satisfac-

tory levels despite minor labor difficulties. Further expansion of our Turkish plant is now in progress. In addition proposals to establish manufacturing and assembly operations in Ghana, Morocco, Iran, and Kenya are under active consideration.

Although the problems posed by growing nationalism and inflation in Africa and the Near East are not expected to diminish in 1965, the steps which have already been taken to strengthen our organization and broaden our marketing efforts should ensure continued growth of our business.

FAR EAST AND AUSTRALASIA

A 14 per cent gain in sales and an increase in our share of the household sewing machine market were highlights of 1964 operations in the Far East and Australasia. However, our business

throughout this vast and populous territory was not everywhere vigorous. Severe competition caused by a flood of imports of low-priced sewing machines and other household appliances inhibited the growth of our business in Australia and New Zealand and sales decreased slightly in that area; shortages of raw materials and components restricted our production of sewing machines in Ceylon; nationalization policies required the liquidation of our small business in Burma; and under the numerous restrictions imposed by the Indonesian Government, our business in that troubled republic barely held its own. Nevertheless, these difficulties were more than offset by improved results elsewhere.

In Japan our business continued to grow with an impressive increase in sales reflecting, in part, the successful introduction of a new slant-needle household sew-

The record salon at the Singer Home Appliance Centre on Brompton Road in London is one of several such facilities operated by the Company in England.



Singer television sets produced at the Karlsruhe factory in Germany are sold in Singer stores in Sweden, Switzerland, Austria, and Germany.



ing machine produced at our factory in Utsunomiya, and other new products. New sales records were established in the Philippines, Malaysia and Thailand where we now have satisfactory local sources of supply and in Hong Kong where the production of wearing apparel is a major industry. Both manufacturing and marketing operations were established in Taiwan and, after a lapse of some 25 years, Singer merchandise is again being sold in that market.

In India and Pakistan the gradual but steady growth of our business continued and our manufacturing operations in both countries are being expanded.

The sale of products outside the sewing machine field, which accounted for 24 per cent of total sales in the territory as a whole, included for the first time the results of the marketing by Singer of Friden business equipment in Taiwan, the Philippines, Hong Kong, Thailand and Malaysia. Singer sales and service personnel have been trained for this task in Hong Kong and, with this, and the introduction of Friden equipment into India and Ceylon in 1965, we anticipate substantial growth in this segment of our business. In Pakistan we became exclusive distributors of a line of gas cooking equipment for which certain components are produced in our factory near Karachi. In Thailand and the Philippines we undertook the distribution of water pumps and small farm tractors.

For every thriving nation in this territory, there is another with major economic and political problems. This has long been the case, and we have learned to plan accordingly. Barring some major upset, all indications point to 1965 as being a year

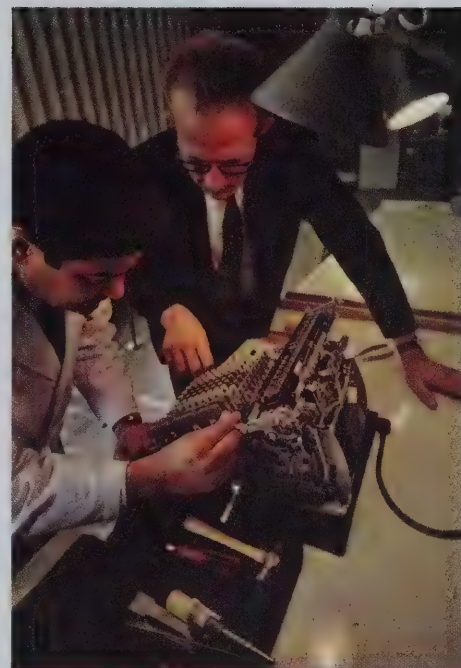
of further progress and expansion of our business.

LATIN AMERICA

In Latin America sales rose 24 per cent to a record level and earnings improved over 1963 despite currency depreciation in Chile, Colombia, Argentina and Uruguay and adverse operating results as well as severe currency devaluation in Brazil. The political and economic uncertainties which marked the previous year eased in several areas. In April the administration in Brazil was deposed and the new government embarked on steps to control the chaotic inflation and re-establish a viable economy. Venezuela achieved its first peaceful transfer of presidential succession and Chile elected a moderate president rather than his Communist-supported opponent. Argentina enjoyed an uneasy political calm and mild business recovery, while the animosities over the Canal subsided in Panama.

Sales of household sewing machines increased, particularly in Argentina, Chile, Mexico and Peru, and industrial sewing equipment sales also improved in Mexico, Venezuela and a number of other countries. The largest sales growth was in such consumer appliances as refrigerators, kitchen ranges, television sets, radios, knitting machines and typewriters, which again more than doubled over the prior year. Many of these products are now being sold under the Singer name.

At year end we assumed responsibility for the sale and service of Friden equipment in Peru and Argentina. We have done the same in Brazil early in 1965.



Singer employees were trained in Beirut to sell and service Friden equipment throughout Africa and the Near East

In outlying villages of Australia, Singer products are sold by sales representatives who operate out of their own homes and use their own automobiles.



Hand-operated Singer portable sewing machines are generally sold on a cash-and-carry basis in Pakistan. They are widely used in cottage industries.

Profits were higher in all areas except Brazil, and the Caribbean territories under our Trinidad management. Colombia, Venezuela and Ecuador contributed good results. In Colombia we are undertaking local manufacture of many sewing machine parts to overcome the importation difficulties which continued to impede adequate supplies of machines. Our organization in Peru set new records in sales and earnings and in Chile we continued to expand our operations and enlarge our share of the sewing machine market.

Results in Mexico where we introduced a locally-produced zig-zag machine exceeded the previous year. The Mexican economy is strong and we expect continued gains in sales and earnings. For the first time since our re-entry into Argentina our locally-produced machines took a significant place in that market. In both Argentina and Uruguay we look for further growth in 1965 despite decided uncertainties as to the strength of their economies.

We experienced our best year in Puerto Rico and Central America, but labor unrest in the West Indies and the civil disorders in British Guiana depressed our results, particularly in the early months.

Brazil remained a major trouble spot. The magnitude of the new government's task in restoring a meaningful degree of economic stability is demonstrated by the fact that it succeeded in reducing the annual inflation rate to only slightly less than 100 per cent. Contractions in business, tightness of credit with heavy outlays to finance working capital needs and contin-

using currency depreciation resulted in unprofitable operations in Brazil.

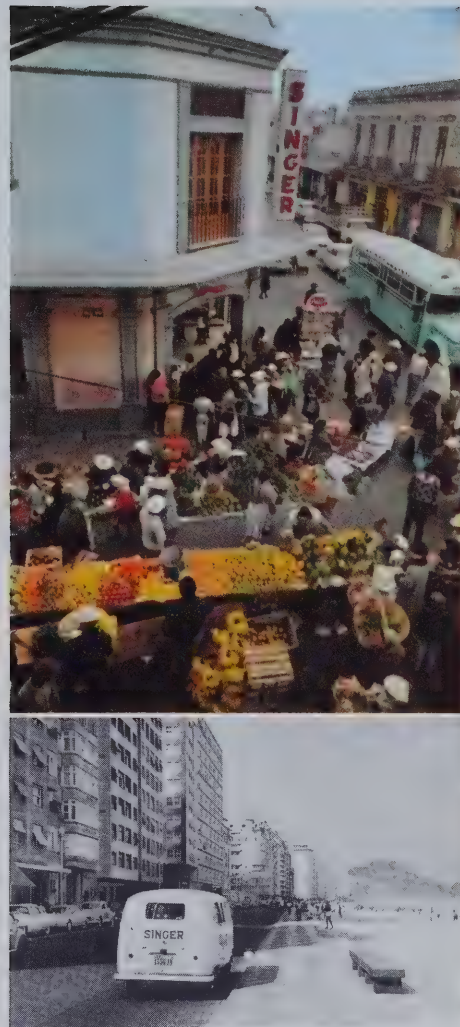
We do not expect the future to be free of economic, fiscal or political setbacks. Nevertheless, with stronger management, an expanding organization, and programs under way to enlarge our markets and our profit margins, we anticipate further gains in Latin America in 1965.

CANADA

Our sales in Canada increased five per cent and earnings increased at a substantially greater rate. Diversification of products and services, better control of marketing, manufacturing and credit collection costs, and improvement in earnings of Thurso Pulp and Paper Company were crucial factors in the improved results.

The line of consumer products which had included sewing machines, laundry equipment, vacuum cleaners and smaller household appliances was expanded by the addition of fabrics, and television and radio equipment in many Singer outlets. To our line of stitching equipment and allied products for the apparel industries, we added work transporters and automated overhead materials handling equipment.

During the year production of electric space heating equipment for the Canadian market was undertaken by our factory in St. Johns, P.Q. In addition this factory now assembles all Singer household sewing machines sold in Canada and manufactures a line of industrial blind stitch machines, vacuum cleaners, and a broad range of portable electric power tools for distribution under private label.



This typical Singer retail outlet in Toluca de Lerdo, Mexico, is located close to the heart of the thriving open air market.

Singer sales and service vans are a common sight on the streets of Rio de Janeiro and in many other South American cities.

A new 108,000 square foot building was opened at the Singer factory in Clydebank, Scotland, in November as part of a \$12 million modernization program.



The most important event in Canada for the Company in 1964 was the sale of our 85 per cent interest in Thurso Pulp and Paper Company plus associated properties in the Thurso area. We had concluded a number of years ago that a disposition of the pulp company was indicated once that enterprise had been made sufficiently sound and profitable. The basis for this was a judgment that if we wished to remain in the pulp and paper industry, the structure of the industry was such as to require further heavy investment in processing operations beyond the production of pulp and that we had better uses for such capital in lines of activity closer to those which were of primary interest to us. The properties sold included our interest in the pulp company; the Thurso and Nation Valley Railway; a furniture factory and sawmill at Thurso; 25 square miles of woodlands

owned in fee; and cutting licenses, logging camps, roads and other improvements on 660 square miles of Crown-grant timberlands north of Thurso. The assets sold had a total value exceeding \$30 million and the Company realized an after-tax gain of \$1,749,000 on the transaction, based on book values at the time of sale. James Maclaren Company Ltd. of Buckingham, P.Q. was the purchaser of these properties. Since the sale was not completed until December 22, virtually all of the pulp company's 1964 sales and earnings are included in our financial results for the year. A portion of the proceeds of the sale, of these assets will be used for the further development of our manufacturing and marketing of consumer and industrial products offering opportunity for continued growth of our business in Canada.

FRIDEN

Total sales of Friden including service and rental revenue rose 18 per cent in 1964. Net income increased, but by a lesser percentage. Launching costs for new products and a substantial increase in spending for research and development prevented net income from increasing commensurately with sales.

About 35 per cent of total revenue was in sales of data processing equipment, 22 per cent in calculators and adding machines, and the remainder in service and in graphic arts, mailroom and climate control equipment.

Six new major products were introduced during the year. The most significant of these was the 130 Electronic Calculator, the first desk-top electronic unit introduced by a major U.S. company. Other new products were the 6018 Magnetic Disc File, a memory unit which, when coupled with the 6010 Electronic Computer, provides new speed and flexibility with unlimited alpha-numeric off-line storage; the Automatic Card Reader, an auxiliary unit which feeds coded punched cards to a reader; the Compos-O-Line JR, which feeds, accounts, stacks and photographs selected data from standard tabulating cards; the 5010 Computer electronic billing/accounting machine which combines electronic computing speed with program flexibility; and the AFY ten-key adding machine.

Domestic sales of Friden products were up significantly during the year. In Europe there was substantial increase in both sales and earnings. Distribution of Friden products in Greece, Cyprus, Portugal, Africa, the Near East, the Philippines,



Friden's new \$1,250,000 Research and Development headquarters building in San Leandro, California, was completed early in 1965.

Hong Kong, Malaysia, Thailand and Taiwan through Singer's established marketing framework was undertaken during the year and this program is being expanded to include other areas in which Singer's presence and experience can effectively be utilized.

As a means of expanding Friden's participation in the resistance heating and air conditioning field, two enterprises were acquired in 1964. The first involved Empire Electric Corp., a manufacturer of tapes, cables and wiring harnesses for the refrigeration and air conditioning industries and Wirekraft, Inc., manufacturer of insulated electric wire for the home heating, air conditioning, and automotive industries. The second was Remington Corporation, a producer of incremental air conditioning systems for apartment houses, hospitals, hotels, office buildings

and schools, specialty air conditioning for tropical areas, household window air conditioners, and household and industrial dehumidifiers.

Shortly before the end of the year agreement was reached to purchase properties in Auburn, New York, consisting of 14 acres of land with buildings having a floor area of approximately 345,000 square feet. Manufacturing operations of Remington and Friden's Electromode Division are to be consolidated in the newly acquired facility. The present Electromode factory in Rochester, New York, will be used for the expansion of business machine production.

Floor space at the plant in Schiller Park, Illinois, has been doubled to accommodate production of paper tape for data processing machines. A second plant in Europe was opened in Mechelen, Belgium, during

the year for the manufacture of adding and calculating machines. The plant in Nijmegen, Holland, will concentrate on the production of more sophisticated business equipment.

Expenditures for research and development at Friden increased by nearly 35 per cent over the previous year and are expected to result in a higher rate of introduction of new products in 1965 and thereafter. In this connection, a new research laboratory was completed in San Leandro, California, in January of 1965 and is now in full operation.

The substantial backlog of orders at year end and the likelihood of additional new products reaching the market place in the near future indicates further growth in both sales and earnings of Friden in 1965.

The 5010 Computyper electronic billing/accounting machine computes, stores, recalls, types and re-stores invoice information.



MANUFACTURING

Worldwide production of Singer sewing machines, both household and industrial, totaled nearly 2.2 million units in 1964, a substantial increase over 1963 production. The increased production supported the rise in unit sales and also served to replenish stocks of machines at distribution centers and in the field.

At the plant in Elizabeth, New Jersey, where our U.S. production of household sewing machines is concentrated, output was higher due to the successful introduction of the new "Touch & Sew" line of machines and the effect of the transfer to Elizabeth late in 1963 of sewing machine production previously carried on in Anderson, South Carolina. Production schedules were reduced somewhat at mid-year. The impact was softened by rising volume of subcontract work undertaken for others.

The phasing out of remaining production of industrial stitching equipment in Bridgeport, Connecticut, which was begun several years ago, continued on schedule with many displaced employees being re-trained and transferred to instrument work.

On the Continent higher volume and improved efficiency offset rising material and labor costs. Karlsruhe Factory in Germany, which produces the more sophisticated types of household and industrial sewing machines and television sets for the European market, had a good year. Its output accounted for 36 per cent of Germany's total sewing machine production. Bonnières Factory in France continued to be a major producer of hand-operated portable sewing machines for export to developing countries, electric sewing machines for the home market, and electrical



The 130 Electronic Calculator was the first unit of its type introduced by a major U. S. company. It has been well received.



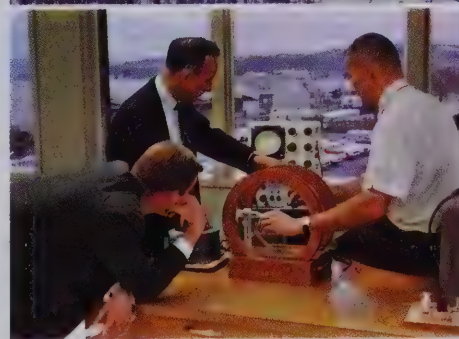
The AFY ten-key adding machine has a visible check window, combines automatic credit balance and step-over multiplication.

equipment for other Singer factories within the European Economic Community. Monza Factory in Italy, which exports more than 80 per cent of its output, developed two new cast iron machines for export and ended the year with a good backlog of orders for slant-needle machines for sale in Italy. Wurselen Factory in Germany, which produces sewing machine needles for world markets, expanded into the manufacture of felting and tufting needles during the year.

The first major phase of the modernization program at the Company's largest factory in Clydebank, Scotland, was substantially completed during the year. In November the new modern building for high-volume household sewing machine production was dedicated with appropriate ceremonies and is now fully in operation. Clydebank results were adversely affected during the year by disruption of production consequent upon the physical and other moves involved in the modernization program. Operations in 1965 will benefit from the completion of the first major segment of the modernization program and the absence of the disruptive effects of the program which were encountered in 1964.

Sewing machine production in 22 smaller factories around the world continued, with increased emphasis on local procurement of components. The factories in India, Pakistan and Colombia were expanded and a new factory in Taiwan was successfully brought into production.

The Manufacturing Division has line responsibility for the operation of the sewing machine factories in the United States and Europe but an increasing part of its



The effects of stress on magnetic properties of delay line wires is studied in the Friden research laboratory in San Leandro, California.

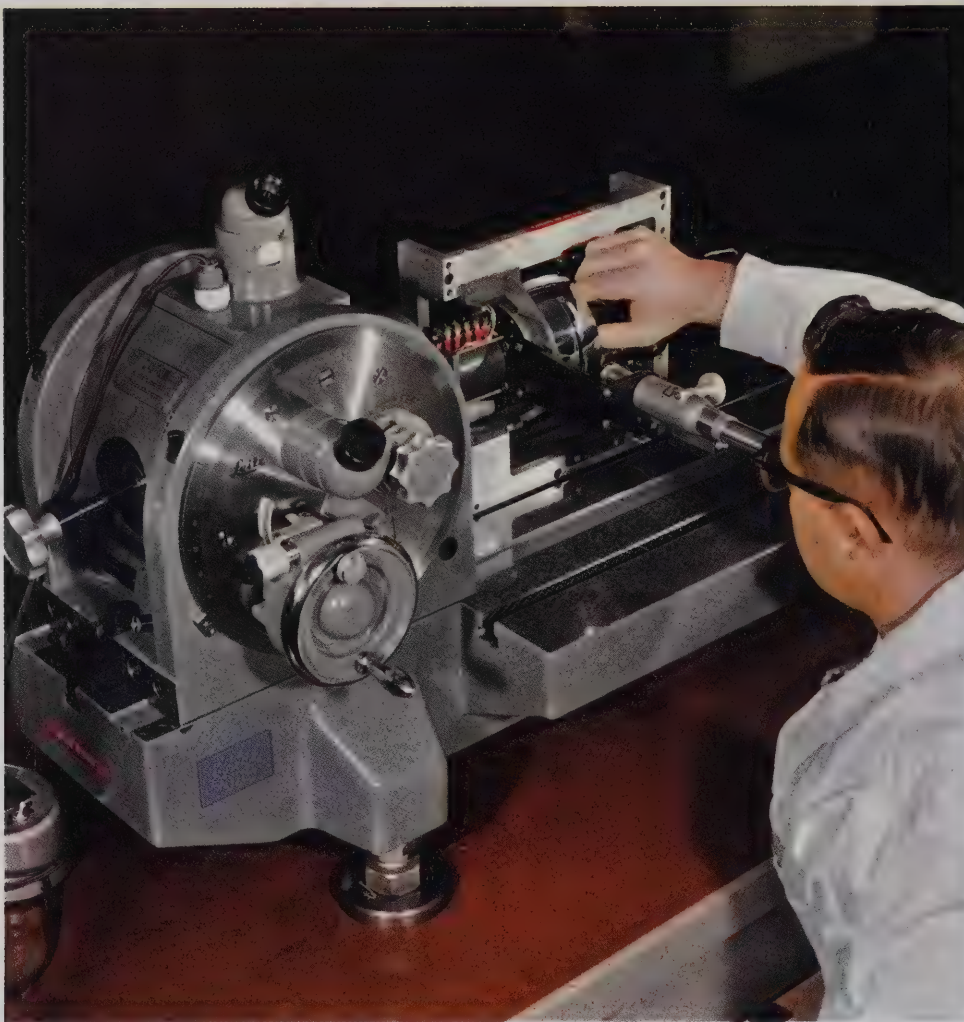
HRB-Singer continues to perform special research in communications, countermeasures, antenna systems and other aspects of technical intelligence.

responsibilities involves staff manufacturing assistance for all of the Company's worldwide producing units. This sector of the Division's activities was greatly expanded in 1964. These staff activities consist broadly of industrial engineering, manufacturing engineering, quality control services, facilities planning and engineering, and materials management. As the number and diversity of our manufacturing units around the world continues to increase, these staff activities in the manufacturing area will continue to grow in importance.

RESEARCH AND DEVELOPMENT

Expenditures by the Company for research and development increased for the sixth straight year. In 1964 expenditures for this purpose increased at a faster rate than sales and amounted to nearly \$16 million, some 25 per cent more than in the previous year. This figure does not include \$9 million of research funded by others, largely the Government, nor does it include market research, long range planning, and other similar activities sometimes classified as research. The Company operates 21 research and development facilities employing more than 2,200 scientists, engineers, technicians and supporting personnel. The range of technical activity encompasses research, product development and design, and the investigation of new materials and processes.

In 1964 improved communication between geographically separate and technologically disparate research activities made possible better utilization of existing capabilities and facilities. For example,



Research in airborne infrared surveillance systems is an important segment of HRB-Singer's work for the U. S. Department of Defense.

research in ultrasonics pursued at HRB-Singer and developed at our Diehl laboratory in New Jersey found application in the design of textile machinery in North Carolina; results of investigations in fluid logic techniques pursued at Friden's California laboratory and further developed at the Central Research Laboratory in New Jersey were successfully applied to work handling systems for industrial stitching equipment.

In 1964 sewing machine research and product development accounted for about one half of total research spending. Work was largely in the area of thread handling,

stitch formation, and, in the case of needle trades equipment, in automatic work handling.

A measure of the success of any research program is its ability to bring new and commercially feasible products to the marketplace. During 1964 five new household sewing machines and eight new industrial models were brought to market. In addition, automatic and semi-automatic work handling equipment was successfully introduced.

Friden's accelerated research program resulted in the introduction of at least one new product in every major product

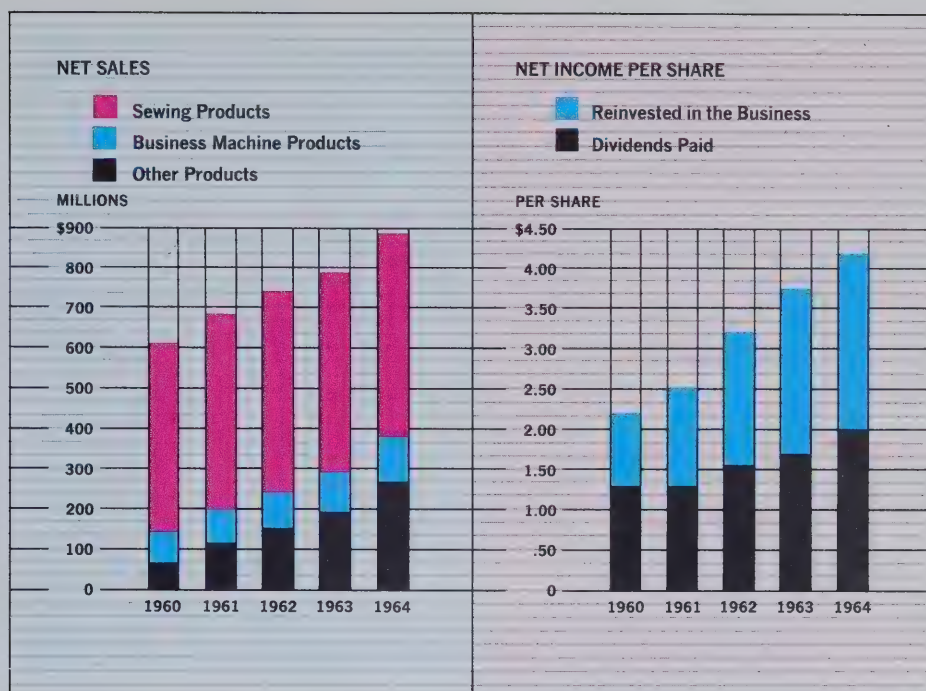
field in which Friden is active. Friden research expenditures were nearly 35 per cent higher than in the prior year with special emphasis on application of solid state technology to the business equipment field.

Research in instrumentation focused on the exploration of measurement techniques and their development into new types of multi-purpose precision instruments for field and laboratory use.

A new machine for making terry cloth and equipment for carpet printing were added to our textile machinery line and the Cobble Division developed and patented a new line of shrink film packaging equipment. Late in the year a Textile Machinery Laboratory was established in Chattanooga to augment product development efforts of the textile machinery divisions through long-range research in production and finishing of non-woven fabrics.

At HRB-Singer work continued in infrared reconnaissance, communications, countermeasures, electro-optics, antenna systems, technical intelligence, systems analysis and operations research. Much of this work is performed under Government contract and is classified. While such research has little direct application to the commercial activities of our operating divisions, it serves to advance our over-all scientific capabilities in various fields.

Funds budgeted for research and development in all segments of the Company for the current year have again been increased sharply and the future should see a rising flow of new products, concepts, inventions and innovations from the laboratory to the market.



NET INCOME

Net income in 1964 totaled a record \$46.5 million, which was \$5.0 million and 12 per cent higher than 1963 net income of \$41.5 million. Net income was \$4.19 per share in 1964 compared with \$3.75 in 1963, based on average shares outstanding in each year.

In addition to net income in 1964, extraordinary income of \$6.3 million or 57 cents per share was realized from the sale of timberlands in South Carolina and the pulp mill and other properties in Thurso, Quebec, Canada. There was no extraordinary income in 1963.

DIVIDENDS

Cash dividends paid in 1964 were \$2.00 per share, representing an increase of 30 cents per share over the amount paid in 1963. The quarterly rate has been increased in 1965 from 50 to 55 cents per share.

NET SALES

Net sales in 1964 totaled a record \$896.2 million, and were \$106.0 million and 13 per cent higher than 1963 net sales.

Sales of sewing products, including fabrics, totaled \$513.7 million in 1964 and were 57.3 per cent of the total. In 1963 sales of these products were \$495.7 million, 62.7 per cent of the total.

Sales of business machine products were \$116.3 million in 1964, reflecting an increase of 11.5 per cent over 1963 sales of \$104.3 million.

Other product sales totaled \$266.2 million in 1964. This represents an increase of 40.0 per cent over 1963 sales of \$190.2 million.

Domestic and foreign sales of these three product groups are shown below:

	1964	1963
	(Amounts in Millions)	
Domestic:		
Sewing Products:		
Household	\$164.4	\$158.5
Industrial	35.6	32.8
Business Machine Products	82.1	74.3
Other Products:		
Consumer	48.2	39.2
Industrial	81.1	62.5
Total Domestic	<u>411.4</u>	<u>367.3</u>
Foreign:		
Sewing Products:		
Household	268.9	262.5
Industrial	44.8	41.9
Business Machine Products	34.2	30.0
Other Products:		
Consumer	106.5	66.9
Industrial	30.4	21.6
Total Foreign	<u>484.8</u>	<u>422.9</u>
Total	<u>\$896.2</u>	<u>\$790.2</u>

In 1964, foreign net sales were 54.1 per cent of the total, compared with 53.5 per cent in 1963.

Net sales by major geographical area are shown in the following table:

	1964	1963
	<i>(Amounts in Millions)</i>	
United States	\$411.4	\$367.3
Europe	235.4	208.4
Latin America	85.0	68.6
Far East and Australasia	84.0	73.4
Canada	40.8	38.7
Africa and the Near East	39.6	33.8
Total	<u>\$896.2</u>	<u>\$790.2</u>

OTHER REVENUE

Revenue from sources other than sales totaled \$8.1 million in 1964 as compared with \$9.9 million in 1963. This revenue consisted of interest, dividends, rents, royalties, and other income, as shown in the statement of income. Interest income decreased in 1964 as a result of a reduction in marketable securities. Other income was lower in 1964 due mainly to a reduced amount of gains on sales of real estate.

SALARIES, WAGES AND EMPLOYEE BENEFITS

During 1964, the Company and its subsidiaries paid \$357.3 million to employees directly as salaries and wages or indi-

rectly through Company or government benefit programs. These included pensions, social security taxes, workmen's compensation insurance, group life insurance, unemployment insurance, health insurance and other benefits.

TAXES

The amount of income and general taxes paid or provided in 1964 (excluding social benefits taxes and income taxes on the extraordinary income) totaled \$61.4 million. Deferred income taxes of \$32.2 million at December 31, 1964 pertain principally to instalment sales, less prepaid taxes on unrealized intercompany profit in inventories, and have been stated at 1964 rates.

WORKING CAPITAL

Working capital increased in 1964 by \$30.1 million compared with a decrease of \$4.2 million in 1963, as shown in the following table:

	1964	1963
	<i>*(Amounts in Millions)</i>	

Funds were derived from:

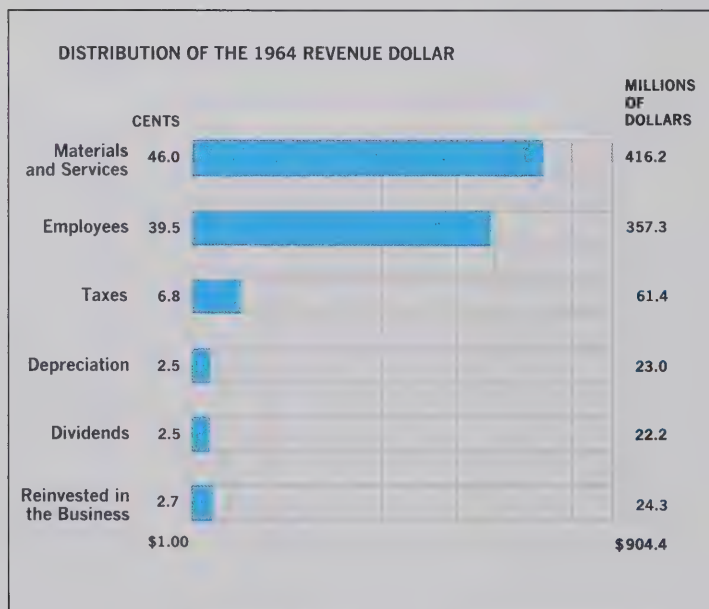
Net income before deducting depreciation and amortization which do not require a current outlay of funds	\$ 72.2	\$ 62.9
Sale of timberlands in South Carolina and pulp mill and other properties in Canada	30.6	—
	<u>102.8</u>	<u>62.9</u>

Funds were used for:

Dividends to shareholders	22.2	17.2
Net additions to property, plant and equipment	38.1	28.1
Purchases less sales of treasury stock	6.3	14.1
Increases in other non-current assets, less increases in non-current liabilities	6.1	7.7
	<u>72.7</u>	<u>67.1</u>

Net increase (decrease) in working capital for year	30.1	(4.2)
Working capital at beginning of year . . .	358.8	363.0
Working capital at end of year	<u>\$388.9</u>	<u>\$358.8</u>

The net increase in working capital in 1964 reflects higher accounts receivable and inventories, lower cash and marketable securities, and higher current liabilities.



Cash and marketable securities decreased by \$7.6 million in 1964.

Accounts receivable increased \$47.1 million mainly reflecting the increase in instalment sales. The amounts shown on the balance sheet are after deducting unearned carrying charges and an allowance for doubtful accounts. These deductions totaled \$56.1 million in 1964 and \$46.6 million in 1963.

Inventories increased \$35.6 million, principally as a result of the addition and expansion of non-sewing product lines.

	1964	1963
	(Amounts in Millions)	
Finished goods	\$166.2	\$131.6
Work in process	80.4	76.4
Raw materials and supplies	22.8	25.8
	<u>\$269.4</u>	<u>\$233.8</u>

Current liabilities increased \$45.1 million over 1963. \$22.8 million of the increase occurred in loans and overdrafts, principally from foreign banks.

PROPERTY, PLANT AND EQUIPMENT

The balances at December 31, 1964 and 1963 were:

	1964	1963
	(Amounts in Millions)	
Property, plant and equipment, at cost:		
Land	\$ 13.5	\$ 14.5
Buildings, less accumulated depreciation, 1964, \$46.4; 1963, \$48.2...	38.1	42.5
Machinery and equipment, less accumulated depreciation, 1964, \$129.9; 1963, \$127.6	83.6	89.7
Construction in progress	7.4	5.1
	<u>\$142.6</u>	<u>\$151.8</u>

Gross additions in 1964, principally machinery and equipment, amounted to \$46.0 million, including \$3.9 million in assets of companies acquired during the year. The sale of the South Carolina timberlands and the Canadian properties resulted in a \$24.3 million decrease (net of accumulated depreciation) in property, plant and equipment. Other disposals amounted to \$7.9 million.

The provision for depreciation in 1964 was \$23.0 million compared with \$20.5 million in 1963.

OTHER ASSETS

Other assets at December 31, 1964 and 1963 were as follows:

	1964	1963
	(Amounts in Millions)	
Deposits	\$ 11.9	\$ 13.9
Deferred charges	9.5	8.0
Intangibles, less amortization	10.6	6.6
Prepaid expenses	7.6	6.3
Mortgages and other	13.0	11.9
	<u>\$ 52.6</u>	<u>\$ 46.7</u>

Deposits were mainly in foreign countries to secure currency transactions.

FOREIGN NET ASSETS

Total net assets located outside the United States are expressed in U.S. dollars at appropriate exchange rates. The following table shows net assets at December 31, 1964 and 1963 by major geographical area:

	1964	1963
	(Amounts in Millions)	
Europe	\$115.0	\$110.1
Latin America	61.4	52.3
Far East and Australasia	38.0	30.4
Africa and the Near East	20.9	16.3
Canada	15.0	28.8
	<u>\$250.3</u>	<u>\$237.9</u>

LONG-TERM DEBT

Long-term debt, less amounts due within one year, consisted principally of unsecured promissory notes requiring payments each year to maturity. The amounts due within one year, \$6.0 million at December 31, 1964 and \$4.8 million at December 31, 1963, are included in current liabilities.

Interest rates	Maturity	1964	1963
		(Amounts in Millions)	
3¼%-3¾%	1977	\$25.5	\$26.7
3½%	1976	—	9.1
4½%-6½%	1967	5.6	—
5%	1973	2.8	3.2
5%-5¾%	1971	2.6	3.0
5½%	1966	3.0	—
Other		8.9	7.1
		<u>\$48.4</u>	<u>\$49.1</u>

Consolidated Statements of Income and Retained Earnings

For the Years Ended December 31, 1964 and 1963

INCOME

1964 1963

(Amounts in Thousands)

Revenue:

Net sales	\$896,239	\$790,188
Interest and dividends	2,864	3,722
Rents and royalties	1,539	1,312
Other income	3,717	4,860
	<u>904,359</u>	<u>800,082</u>

Costs and expenses:

Costs and other operating charges	471,082	403,832
Selling and administrative expenses	342,505	307,783
Interest	11,599	9,300
Provision for Federal and foreign income taxes	32,679	37,624
	<u>857,865</u>	<u>758,539</u>

NET INCOME 46,494 41,543

Gain on sale of timberlands in South Carolina and pulp mill and
other properties in Canada—net of \$1,266,000 taxes

6,337 —

Net income and extraordinary income \$ 52,831 \$ 41,543

RETAINED EARNINGS

1964 1963

(Amounts in Thousands)

Retained earnings, beginning of year	\$300,531	\$284,052
Add net income and extraordinary income	52,831	41,543
	<u>353,362</u>	<u>325,595</u>
Less: Dividends paid:		
The Singer Company	22,174	15,982
Friden, Inc.	—	1,173
Cost of treasury stock in excess of pooled companies' net assets and of proceeds of sales to employees	5,533	7,909
	<u>27,707</u>	<u>25,064</u>
Retained earnings, end of year	<u>\$325,655</u>	<u>\$300,531</u>

See accompanying notes to financial statements.

Consolidated Balance Sheets December 31, 1964 and 1963

ASSETS

	1964	1963
	(Amounts in Thousands)	
Current assets:		
Cash	\$ 25,068	\$ 29,185
Marketable securities	31,217	34,711
Accounts receivable—net	311,907	264,759
Inventories	269,401	233,762
Total current assets	637,593	562,417
Investments in and advances to affiliated companies	11,184	8,207
Property, plant and equipment, at cost less accumulated depreciation	142,554	151,769
Other assets	52,572	46,712
	<u>\$843,903</u>	<u>\$769,105</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Accounts payable and accrued expenses	\$ 84,627	\$ 67,506
Loans and overdrafts (principally foreign banks)	122,601	99,841
Federal and foreign income taxes	41,480	36,256
Total current liabilities	248,708	203,603
Deferred Federal and foreign income taxes	32,160	26,430
Long-term debt	48,371	49,095
Other non-current liabilities	18,310	17,952
Reserves for realization of foreign assets and for insurance	70,000	70,000
	417,549	367,080
Shareholders' equity:		
Capital stock—par value \$10 per share:		
Authorized 15,000,000 shares; issued 11,233,715 shares	112,337	112,337
Retained earnings	325,655	300,531
	437,992	412,868
Less: Cost of capital stock in treasury (141,173 shares in 1964; 148,509 shares in 1963)	11,638	10,843
Total shareholders' equity	426,354	402,025
	<u>\$843,903</u>	<u>\$769,105</u>

See accompanying notes to financial statements.

Notes to Financial Statements

PRINCIPLES OF CONSOLIDATION

The accompanying financial statements include the results of all subsidiaries. Investments in three wholly-owned finance companies are included at their equity value. Investments in two small affiliated companies (47 and 50 per cent owned) are stated at cost.

Five companies were acquired during 1964, and their results have been included in the accompanying financial statements from the dates of acquisition. The purchase price for four companies totaled \$10,600,000. The purchase price of the other company was 40,000 shares of capital stock. This transaction was treated as a pooling of interests.

A subsidiary, Thurso Pulp and Paper Company, and other associated properties in Canada were sold late in 1964. The net gain on these sales and on the sale of timberlands in South Carolina is included in the statement of income as extraordinary income.

FINANCE COMPANIES

Balance sheets of the three finance companies at December 31, 1964 and 1963 are summarized below:

	1964	1963
	<i>(Amounts in Thousands)</i>	
Instalment accounts receivable . . .	\$37,206	\$31,391
Cash and other assets	1,834	3,474
	<u>\$39,040</u>	<u>\$34,865</u>
Notes payable — unsecured	\$26,130	\$24,110
Other liabilities	4,556	2,890
Equity	8,354	7,865
	<u>\$39,040</u>	<u>\$34,865</u>

Net income of these companies totaled \$824,000 in 1964 and \$722,000 in 1963. These amounts are included in other income.

FOREIGN NET ASSETS

Total net assets located outside the United States at December 31, 1964 amounted to \$250,300,000. These assets are shown by geographical area in the Financial Review.

INVENTORIES

Inventories are stated at the lower of cost, exclusive of certain indirect manufacturing expenses, or market.

CAPITAL STOCK OPTIONS

The Company has both a qualified stock option plan and a stock purchase plan. Under the qualified stock option plan adopted in 1959, options to purchase shares of capital stock of the Company may be granted to executive employees at prices not less than market value on the dates of grant. Options granted in 1964 expire in five years; prior options generally expire in ten years. Under the stock purchase plan adopted in 1962, employees are granted options to purchase capital stock of the Company by payroll deduction. The option price is 85 per cent of either the market value at date of grant or the market value at date of exercise, whichever is lower.

The following table shows the changes in options outstanding pertaining to: the above described plans; a plan terminated in 1962; and options assumed in connection with the 1962 and 1963 poolings of interests.

	<u>Shares</u>	<u>Option Prices</u>
Options outstanding at January 1, 1964	237,428	\$27.00–94.27
Options granted	97,775	67.75–96.13
	<u>335,203</u>	
Less: Options exercised	87,796	27.00–85.25
Options terminated	18,915	34.13–85.25
	<u>106,711</u>	
Options outstanding at December 31, 1964	<u>228,492</u>	27.00–96.13

EMPLOYEE RETIREMENT PLANS

Contributions by the Company and its subsidiaries under funded Retirement Plans amounted to \$3,100,000 for 1964 and \$4,519,000 for 1963, including amounts for past service benefits. At December 31, 1964, the liability for past service benefits under these plans to be funded in future years is approximately \$5,800,000.

COMMITMENTS

The Company and its subsidiaries are lessees under approximately 2,600 leases expiring subsequent to December 31, 1967 with minimum annual rentals of approximately \$9,700,000. Substantially all of the leases are rental contracts and not financing agreements.

**Report of
Independent
Public Accountants**

PEAT, MARWICK, MITCHELL & CO.

CERTIFIED PUBLIC ACCOUNTANTS

SEVENTY PINE STREET

NEW YORK, NEW YORK 10005

*To the Shareholders and Board of Directors
of The Singer Company:*

We have examined the consolidated balance sheet of The Singer Company and consolidated subsidiaries as of December 31, 1964 and the related statements of income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements present fairly the financial position of The Singer Company and consolidated subsidiaries at December 31, 1964 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co.

March 15, 1965

Five Year Summary

	<u>1964</u>	<u>1963</u>	<u>1962</u>	<u>1961</u>	<u>1960</u>
EARNINGS <i>(Amounts in Thousands)</i>					
Net sales	\$896,239	\$790,188	\$743,988	\$682,796	\$614,217
Total revenue	904,359	800,082	751,595	689,540	621,984
Costs and other operating charges ..	471,082	403,832	376,008	352,489	315,826
Selling and administrative expenses ..	342,505	307,783	293,550	270,774	249,005
Interest expense	11,599	9,300	9,213	8,630	5,948
Income taxes	32,679	37,624	37,265	29,523	26,681
Net income	46,494	41,543	35,559	28,124	24,524
Extraordinary income	6,337	—	5,327	—	1,132

FINANCIAL POSITION *(Amounts in Thousands)*

Working capital	388,885	358,814	362,987	347,764	345,655
Cash and marketable securities	56,285	63,896	80,808	73,239	65,793
Accounts receivable—net	311,907	264,759	243,630	223,976	211,058
Inventories	269,401	233,762	212,717	212,244	201,025
Property, plant and equipment—net ..	142,554	151,769	144,185	144,567	142,198
Long-term debt	48,371	49,095	52,770	54,559	60,829
Retained earnings	325,655	300,531	284,052	265,543	226,313
Shareholders' equity	426,354	402,025	391,752	374,490	351,515

OTHER DATA

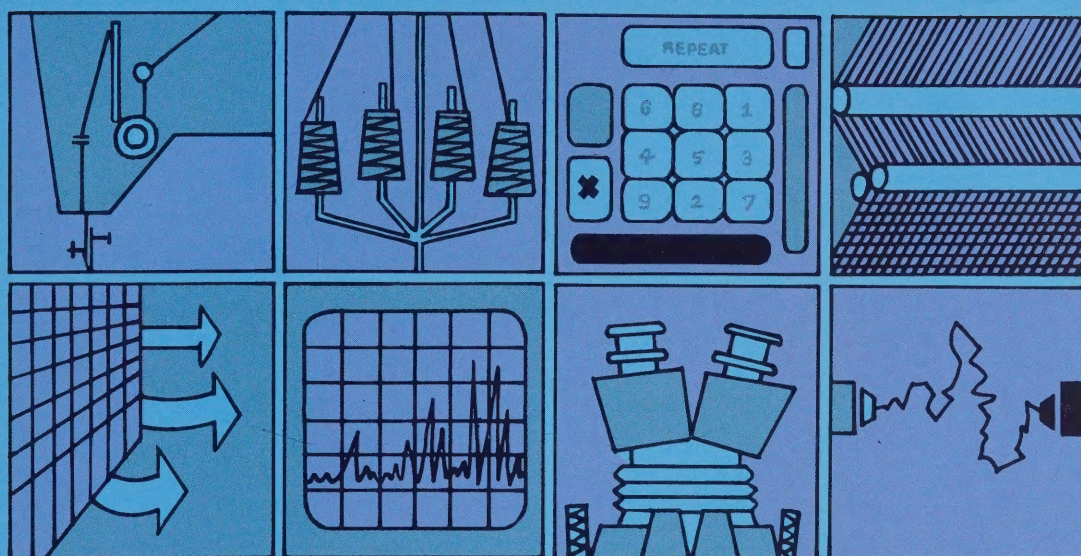
Per share of capital stock:

Net income	4.19	3.75	3.20	2.53	2.22
Extraordinary income	.57	—	.48	—	.10
Dividends paid <i>(Note 1)</i>	2.00	1.70	1.55	1.30	1.30
Shareholders' equity	38.42	36.29	35.26	33.64	31.77
Current ratio	2.6	2.8	3.1	3.2	3.6
Number of shareholders <i>(Note 2)</i>	27,971	22,252	11,406	12,030	11,889

Note 1—Dividends paid by Friden, Inc. prior to merger are not reflected.

Note 2—Shareholders of pooled companies are not included prior to year of merger.

PRINCIPAL PRODUCTS AND SERVICES OF THE SINGER COMPANY



Consumer Products

sewing machines
fabrics
patterns
notions
vacuum cleaners
floor waxers and polishers
dishwashers
dryers

portable typewriters
knitting machines
refrigerators
washing machines
kitchen ranges
electric heaters
air conditioners
furniture

portable electric power tools
radios
phonographs
phonograph records
hi-fidelity components
tape recorders
television sets

Business Equipment

data processing equipment
calculators
adding machines

postage machines
mailroom equipment

graphic arts equipment
document conveying systems

Commercial and Industrial Products

sewing machines and
allied equipment
tufting machines
hosiery knitting machines
circular knitting machines
flat bed knitting machines
electric space heaters

coupon tickets
ticket printers
special purpose electric motors
dehumidifiers
ventilating equipment
power tools

latex ovens
tube reinforcing machines
glove turning and
forming machines
doweling equipment
heat-shrink packaging machines

Advanced Technological Products

spectrum analyzers
signal generators
microwave test instruments
radio frequency interference
test equipment

primary standards for voltage
current and power
transfer standards
infrared systems
broadband amplifiers

beacon transmitters
data processing devices
servomotors
resolvers
silico-ceramic insulation materials

Research and Development

communications
countermeasures
technical intelligence

systems analysis
operations research

reconnaissance
environmental testing

**▲ MANUFACTURING
AND RESEARCH FACILITIES**

Alencon, France
Anderson, S. C.
Apapa, Nigeria
Arcadia, Calif.
Auburn, N. Y.
Blackburn, England
Bogota, Colombia
Bonnières, France
Bridgeport, Conn.
Buenos Aires, Argentina
Cambridge, Mass.
Campinas, Brazil
Chattanooga, Tenn.
Chittagong, Pakistan
Clydebank, Scotland
Colombo, Ceylon
Creussen, Germany
Dalton, Ga.
Denville, N. J.
Dulken, Germany
Elizabeth, N. J.
Finderne, N. J.
Frankenwerk, Germany
High Point, N. C.
Johannesburg, South Africa
Karachi, Pakistan
Karlsruhe, Germany
Klong Toey, Thailand
Lakeville, Ind.
Leini, Italy
Leopoldville, Republic of Congo
Lewistown, Pa.
Lima, Peru
Los Angeles, Calif.
Madurai, India
Maltepe, Turkey
Matsumoto, Japan
Mechelen, Belgium
Monroe, N. C.
Monza, Italy
Newfoundland, N. J.
Nijmegen, Holland
Ozone Park, N. Y.
Penrith, Australia
Petaling Jaya, Malaya
Pickens, S. C.
Queretaro, Mexico
Reedsville, Pa.
Rochester, N. Y.
Rolling Prairie, Ind.
Saigon, South Viet Nam
San Leandro, Calif.
Schiller Park, Ill.
St. Johns, P.Q., Canada
State College, Pa.
Surabaya, Indonesia
Taipei, Taiwan
Taytay, Philippines
Trumann, Ark.
Utsunomiya, Japan
Wurselen, Germany

● REGIONAL SALES OFFICES

United States

Atlanta, Ga.	Indianapolis, Ind.	Plainfield, N. J.
Anchorage, Alaska	Kansas City, Mo.	Richmond, Va.
Baltimore, Md.	Long Beach, Calif.	Rochester, N. Y.
Boston, Mass.	Los Angeles, Calif.	San Diego, Calif.
Charlotte, N. C.	Memphis, Tenn.	San Francisco, Calif.
Chicago, Ill.	Minneapolis, Minn.	Seattle, Wash.
Cincinnati, Ohio	Nashville, Tenn.	Shaker Heights, Ohio
Dallas, Tex.	Needham, Mass.	Silver Spring, Md.
Denver, Col.	Newark, N. J.	St. Louis, Mo.
Detroit, Mich.	New Orleans, La.	Syracuse, N. Y.
Evanston, Ill.	New York, N. Y.	Tampa, Fla.
Hempstead, N. Y.	Pasadena, Calif.	Troy, N. Y.
Honolulu, Hawaii	Philadelphia, Pa.	Wauwatosa, Wis.
Houston, Tex.	Pittsburgh, Pa.	Wethersfield, Conn.

Canada

Montreal, P. Q.	Toronto, Ont.	Vancouver,
Ottawa, Ont.	Winnipeg, Man.	British Columbia

Latin America

Bogota, Colombia	Kingston, Jamaica	Port of Spain, Trinidad
Buenos Aires, Argentina	La Paz, Bolivia	Quito, Ecuador
Caracas, Venezuela	Lima, Peru	Recife, Brazil
Georgetown, British Guiana	Managua, Nicaragua	Rio de Janeiro, Brazil
Guatemala City, Guatemala	Manaus, Brazil	San Juan, Puerto Rico
	Mexico City, Mexico	Santiago, Chile
	Montevideo, Uruguay	Sao Paulo, Brazil
	Panama City, Panama	

Europe

Ajaccio, Corsica	Fribourg, Switzerland	Oslo, Norway
Amsterdam, Holland	Glasgow, Scotland	Paris, France
Athens, Greece	Helsinki, Finland	Reykjavik, Iceland
Belfast, Northern Ireland	Lisbon, Portugal	Rotterdam, Holland
Brussels, Belgium	London, England	Stockholm, Sweden
Copenhagen, Denmark	Madrid, Spain	Valletta, Malta
Dublin, Ireland	Milan, Italy	Vienna, Austria
Frankfurt, Germany	Nicosia, Cyprus	Zagreb, Yugoslavia
	Nurnberg, Germany	Zurich, Switzerland

Africa and Near East

Accra, Ghana	Casablanca, Morocco	Lagos, Nigeria
Addis Ababa, Ethiopia	Curepipe, Mauritius	Leopoldville, Republic of Congo
Aden	Dakar, Senegal	Luanda, Angola
Amman, Jordan	Damascus, Syria	Nairobi, Kenya
Baghdad, Iraq	Douala, Cameroun	Tananarive, Malagasy Republic
Beirut, Lebanon	Istanbul, Turkey	Teheran, Iran
Cairo, Egypt	Johannesburg, South Africa	Tripoli, Libya
Capetown, South Africa	Khartoum, Sudan	

Far East and Australasia

Adelaide, Australia	Hong Kong	Saigon, South Viet Nam
Bangkok, Thailand	Karachi, Pakistan	Seoul, South Korea
Bombay, India	Kuala Lumpur, Malaysia	Singapore, Malaysia
Brisbane, Australia	Manila, Philippines	Sydney, Australia
Colombo, Ceylon	Melbourne, Australia	Taipei, Taiwan
Darwin, Australia	Osaka, Japan	Tokyo, Japan
Djakarta, Indonesia	Perth, Australia	Wellington, New Zealand
Hobart, Australia	Rangoon, Burma	

Singer products are made in 29 countries and sold in 182

